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Joan Claybrook, President

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To: Paul Dabbs  
Statewide Planning Branch  
California Department of Water Resources  
P.O. Box 942836  
Sacramento, Ca 94236-001

Comments for the Draft California Water Plan Update

Dear Mr. Dabbs,

Public Citizen commends the Department of Water Resources for increasing the focus on water conservation and water recycling in the April 2005 draft of the California Water Plan Update. We have several concerns however with the treatment of water marketing in Chapter 23.

No where in Chapter 23, titled "Water Transfers," does the Plan fully address and explore the economic or social dimensions of the character of water marketing being promoted. The very term "transfer" is misleading as it is used in economics to denote a payment made without any good or service received in return. Water transfers thus might appear, erroneously, like the simple movement of water from one location to another, one user to another or one type of use to another, without a payment, good or service received in return.

For example, the Plan states: "A more general definition is that water transfers are a voluntary change in the way water is usually distributed among water users in response to water scarcity;" and later: "Water transfers are sometimes seen as merely moving water from one beneficial use to another" (23-1). Neither definition clearly states that these "transfers" are in fact sales; the rendering of a good, water, at a price. Such ambiguous discussion masks the economic nature of the transaction; that is, that mass quantities of water are being bought and sold, and that capital will play perhaps a significant role in determining *who* buys the water and *how* they will use it.

Public Citizen strongly believes that marketing is an inefficient and unjust manner to guide the allocation of California's public water resources, and encourages the Department to include the concerns that Public Citizen and many others share in the Water Plan Update. However, before entering into a debate on the benefits or pitfalls of water marketing, we must first acknowledge that behind the vague and complex discussions of "water transfers," we are talking about marketing.

Thus the Plan discusses the buying and selling of water and water rights without articulating or analyzing the economic nature of the transactions. Public Citizen thus recommends including a clear discussion of water markets including arguments on all sides of the issue.

Public Citizen is dismayed that Chapter 23 relies exclusively upon data from a 2003 report by the Public Policy Institute. The state should have accurate and current data on water sales within the state. Notably, all discussion and data concerning water sales involving State Water Project (SWP) contractors is conspicuously absent from this snapshot of current water sales. The Department, as the agency charged with operating and maintaining the State Water Project—the largest state project in the United States—should have and make public its data on water sales involving the project.

The Plan states that the environment is one of the sectors “responsible for most growth in transfers” (23-2). This is misleading, if not false. One program noted as an “environmental” program responsible for “growth” in water sales in the Environmental Water Account (EWA). The EWA is a water reliability program that guarantees water deliveries for south of the Delta SWP contractors—at taxpayer expense—when state pumps must be slowed down to protect endangered fish species. The program has been an unmitigated failure from an environmental perspective as numerous recent studies and news reports have chronicled the crashing delta ecosystem and the plummeting numbers of the very species that the EWA is charged with protecting. The EWA has been a clear success, however, for the SWP contractors who have received record water deliveries under the program.

The Plan lacks any such detailed discussion or analysis and thus fails to ask or begin to answer truly complex and difficult questions necessary to plan for California’s water future.

Public Citizen commends the Plan’s clear statement that: “State agencies must consider the effects on public trust resources when participating in or approving water transfers” (23-3). We recommend that the state further develop the implications of public trust considerations for the state’s experiments with water marketing.

The Plan provides no discussion of the potential for mass scale water marketing to significantly alter the social and economic well-being of rural communities and small farms in California. The description of “potential benefits” is abstract and speculative to the point of being useless. For example, the Plan states: “Sellers can use the compensation from transfers to fund beneficial activities...” (23-5). Water sales constitute a form of private enterprise. Businesses may use portions of their profit to “fund beneficial activities,” but that is rarely why they do business, or how they use their profit. In-depth analyses of recent and on-going water sales are needed to judge potential merits and pitfalls.

Public Citizen urges the Department to take the lead in guiding the public through a serious and rigorous discussion of recent and current experiments with water marketing, convoking wide participation and view points, and presenting the issues and ideas in the Water Plan Update. We welcome the opportunity to work with the Department to this end.

Sincerely,

John Gibler